

**MINUTES OF THE MEETING OF THE CO-OPERATIVE COUNCIL OF AUSTRALIA
HELD AT THE CENTRA MELBOURNE AIRPORT HOTEL
THURSDAY 23 NOVEMBER AND FRIDAY 24 NOVEMBER 2000
COMMENCING AT 1 PM.**

PRESENT

Ian Wilson (Chairman) & David Osgood	Co-op Federation of SA
John Booth	Co-op Federation of WA
Don Kinnersley & Ron Butler	Co-op Federation of NSW
James Howard	Co-op Federation of Qld
Graeme Charles & Chris Greenwood	Co-op Federation of Vic

MINUTES

It was resolved that the minutes of the meeting held on the 20/21 October 1999 be taken as read and confirmed.

MATTERS ARISING FROM THE MINUTES

Mr. Butler advised that the retail workshop held in the Barossa Valley was successful and well attended, with representatives from all States and New Zealand.

CORRESPONDENCE

Correspondence since the last meeting was tabled and noted.

TAXATION ISSUES

Mr. Howard spoke on various taxation issues including the GST, and that no response was received to any correspondence. Mixed replies were coming from the Tax Office to any queries raised. CCA could help by getting their local co-ops to lobby their local member of parliament.

The Chairman inquired if there something that is uniquely co-operative that CCA can take to the Federal Government on tax reform. Mr. Howard felt we should stick with GST, if taxation issues are widened there are could be other problems, professional bodies will be taking up these matters and we could not add anything that may be uniquely co-operative.

Mr. Booth queried if rebates were taxable. Mr Howard replied rebates are a distribution of ^{surplus} profits and therefore an expense to business, but advised that contracts should be set up with members of co-operatives to cover this situation. State Federations should refer members to advisors on matters of GST.

Mr. Osgood raised the matter of ABN and whether CCA should register. It was felt that CCA need not register at this stage.

Mr. Howard advised that FBT was more expense to business under the GST due to grossing up of the private component. FBT was now becoming more complicated and expensive, and most companies were discontinuing this arrangement. General management was now more important than accounting.

Mr. Howard advised the Ralph inquiry had become too difficult for the politicians due to the GST and other problems, and was put on hold. Tax Board will review and make recommendations. It was still on the agenda but had been sidelined at this stage.

Mr. Booth referred to patronage rebates raised at the last meeting, and inquired if the rules had changed. Mr. Howard advised that the law would change under the New Business Tax System (Entity Taxation) Bill 2000, which refers to trusts but the word co-operative appears, he has been unable to obtain clarification from the Tax Office. The New Business Tax System (Entity Taxation) Bill 2000 had hidden in it, that if something is not deductible in a co-operative as a franking credit or return on capital and it is not an expense because it is a distribution based on CCU's, then it is not deductible. The Bill is talking about a return on shares, CCU's are not shares or a frankable distribution or an expense as it is a return on capital under the Co-operative Act. It was felt this could end CCU's, Mr. Howard stated he was aware and would be following this matter up with the tax office, it was due to a court case with a company limited by guarantee, with no capital and distributions were not deductible as they were not of a capital nature or expense, therefore they lost both ways.

A general discussion ensued on capital, subordinate debt, shares and effective control of the co-operative and ways of raising capital through different types of shares but maintaining control with the owners of the co-operative. Mr. Howard pointed out the problem with reference to shares both in the Tax Bill and the Co-operative Act.

FINANCIAL REPORT

Mr. Booth table details of the financial position of CCA as at 30 June 2000, copies of which were distributed to members, which showed a balance of \$10,397.70 in the deposit account and \$50.57 in the cheque account. Details had been provided for completion and lodgement of a tax return for 2000. A refund of \$143.97 had been received from the Tax Office due to the overpayment on the instalment.

It was resolved that Mr Booth be appointed Treasurer for CCA.

PROPOSED TASMANIAN FEDERATION

The Chairman advised he had received correspondence from a legal firm in Tasmania involved with the Tasmanian Government in formation of their Co-operative Act, and requested details about CCA. Mr. Osgood advised details about CCA and a copy of the CFSA constitution were forwarded but no reply had been received to date.

It was agreed that should Tasmania form a federation they could become a member of CCA.

CO-OPERATIVE LEGISLATION

The Chairman referred to the Working Party terms of reference they wished to discuss at the meeting tomorrow, copies of which have been forwarded to members, and would like to address the options proposed which CCA could comment on and add any further items we would like to discuss, he referred to the items of "Transfer of administrative responsibility to the Commonwealth Government" and "Incorporation of co-operative legislation within Corporations Law".

Mr. Kinnersley stated that it is 12 years since we tried to get consistency and failed. Consistency was to allow co-operatives to trade interstate, a co-operative section in the Corporations Law would allow any co-op who wish to trade interstate to do so, and let the Corporations Law look after them and each state look after the other co-ops. Raising funds interstate was more of a problem than trading. A legalistic approach has been taken to this matter that has caused the problem. The majority of co-operatives were small groups that did not, or were not capable of trading interstate, with a very small majority that could afford the costs involved to trade interstate.

Mr. Booth felt mutual recognition was likely to succeed, as the principle of mutual recognition was that once incorporated you have automatic recognition of the applied rights of trade subject to objection to the state in which you want to trade.

Template legislation was raised, which was that one state would change and all the other states would automatically follow, it was used by the Credit Unions for their legislation.

The Chairman stated that with mutual recognition if this was acceptable in the home state legislation, then they should be allowed to trade in another state similar to Mr. Kinnersley's driving license example. It was agreed mutual recognition was the vital part to achieving what is required in uniform legislation, and the inherent principles of mutual recognition must be agreed by all states to allow co-operative legislation to proceed and be acceptable in all states, and for Federal Government to roll back the fundraising restricts under the Corporations Law.

Accounting standards were now causing more problems than the Corporations Law when it comes reporting, and a co-op has to produce the same reporting standards as a large company like BHP.

If it was felt that the state bureaucrats would not hand over legislation to the Federal Government, therefore consistency amongst state legislations was essential, some states did not recognise other state legislation, and amendments were not flowing through to all state legislations. Mr. Booth stated that any amendments to the Co-operative Act in WA would only be done once in the lifetime of that parliament effectively once every four years. Mr. Howard pointed out that any Corporations Law should not automatically flow on to the Co-operative Act, as it may not be in the interest of co-operatives.

Brian Given was requested to coordinate the development of consistent legislation for co-ops by the NSW Minister. The options were discussed in full, and agreed that CCA have a set of questions to achieve the aims of CCA and the Working Party. The Working Party to give an outline on the options where they are coming from, before reporting to the Ministers on ways to achieve consistency, based on the five points outlined.

The meeting agreed the main point was mutual recognition, which should not be overshadowed with content, and what is the basis for mutual recognition WP wanted? It was felt that with core consistent provisions and mutual recognition, registration in a state should allow co-ops to deal interstate under the rules applying under that state law, the same as a diving license issued in one state allowing you to drive anywhere in Australia. It was important to find out what the WP meant by mutual recognition. Consistency was the main point, with administration by the state in which you operate.

It was felt some provisions should come under template legislation, such as the core consistent provisions, if accepted and recognition applied by all states, could achieve what was required. It

would be easier for co-operatives to trade interstate if they wished and the Federal Government to exempt co-operatives from provisions in the Corporations Law restricting the raising of funds interstate. Recognition was the main point and keeping the legislation and pursuing the changes to improvement legislation and the process for managing the core consistent provisions should be pursued.

It was agreed to ask the following questions of the Working Party;

1. Where did the options come from and expand on them.
2. Request a copy of the report for discussion.
3. Which do they prefer?
4. Recognition and mutual, what do they mean?
5. Process for management of provisions.

Other matters involve the Queensland amendments, simplification of the Acts, process of roll back Corporations Law, companies converting to co-operatives and management investment schemes. It was also agreed to meet regularly and follow up the 31 January meeting and make things happen by chasing up.

STATE CO-OPERATIVE FEDERATIONS

A report by each State Federation was presented for information, it was generally agreed that members were being lost due to mergers, liquidations and conversion to companies, and that every effort should be given to support new co-operatives.

ADJORNMENT the meeting adjourned at 6.10pm. and reconvened at 9am on the 24 November with a joint meeting with the Co-operative National Working Party (NWP).

Mr. Given convenor of the NWP opened the meeting outlining matters for discussion included in the draft terms of reference provided to CCA members. He advised the Ministerial Council on Consumer Affairs (MCCA) meet every 12 months, and the Standing Committee of Officials of Consumer Affairs (SCOCA) will continue to meet on a regular basis.

Recognition of CCU's was required. Although Victoria did not recognise other States the new minister was looking favourably at this requirement. Capital fundraising was a problem and important to co-operatives, a uniform approach was required which should included CCU's and other instruments.

Mr. Given stated CCU's must be up and running, the problem was with future amendments, Queensland's amendments had been taken up by NSW but not other states, a better scheme to oversee amendments and the problems with foreign co-operatives was required. He highlighted some interstate problems. Mutual recognition will allow a co-op in one state to operate without registration, but some conditions may be required.

NWP had problems working with Ministers, Cabinet legislation and parliaments, and were seeking ways to reduce substantial correspondence, amendments and fund raising problems. Mr. Booth was hopeful that during the second half of next year, WA would have their Act in place. Mr. Howard advised that fundraising was the main problem and needed flexibility.

The NWP agreed to explore options on Mutual Recognition and Template legislation and if the recommendations to develop this were accepted, the NWP would meet again and confer with CCA.

Discussions with the NWP closed at 11.15am, and the members of CCA reconvened in the dining room at 11.20am.

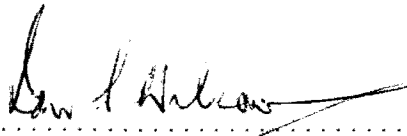
It was generally agreed that template legislation was acceptable to ensure that all State Acts remain consistent, and that capital raising was a problem. Mutual recognition must be first. The NWP had to report to the Ministers by the 31st January and then await the outcome of the Ministers decisions. It was suggested that CCA follow up in February and monitor progress.

It was agreed to meet again when the matter was resolved or as required possibly in May 2001.

It was agreed that the fee for the hire of the room be paid from CCA funds.

The meeting closed at 12.15pm.

Signed as correct record



Chairman

19/09/01